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THE DEMAND AND PRICE SITUATION

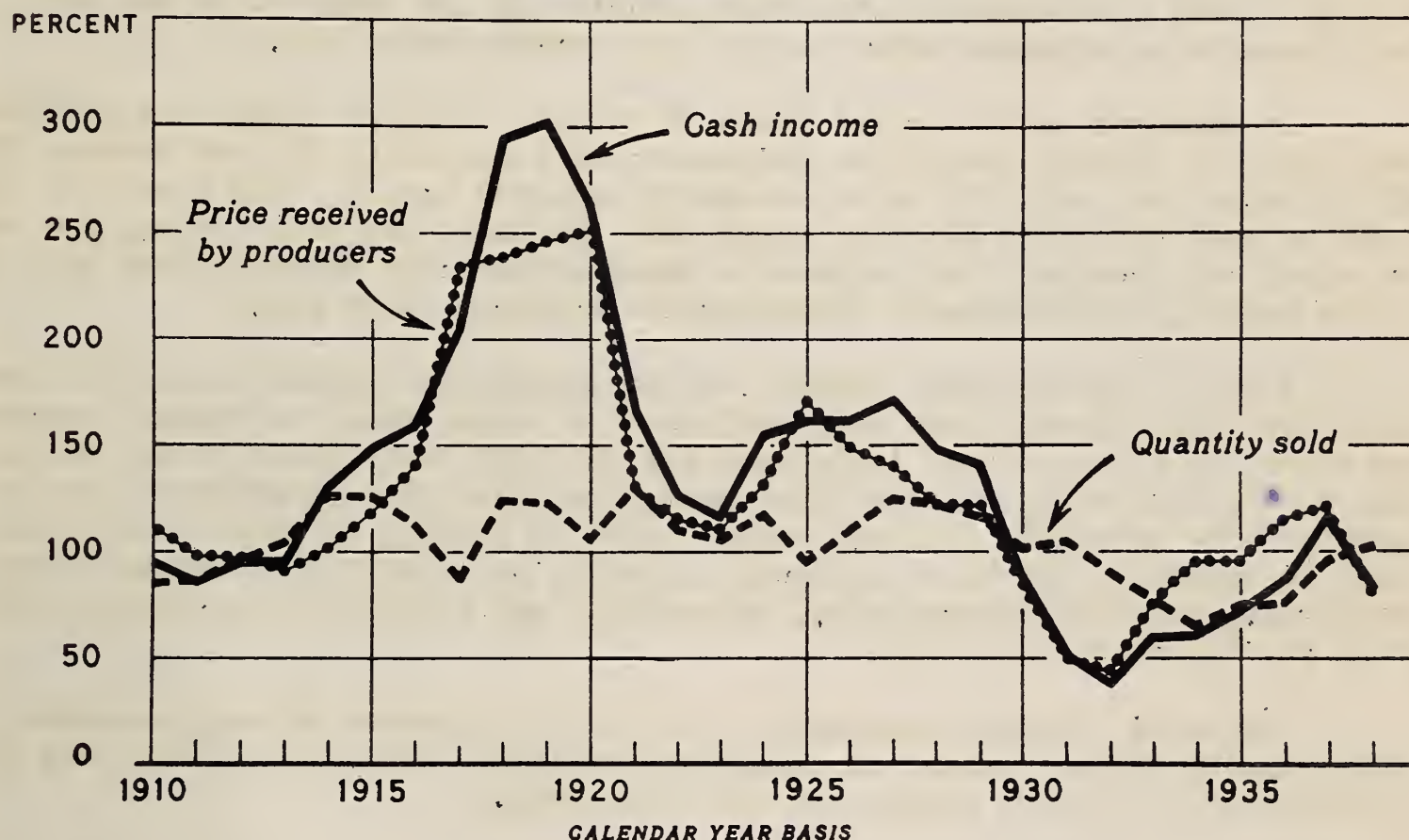
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C.

FEBRUARY 15, 1939.

WHEAT: SALES, PRICE, AND CASH INCOME, UNITED STATES, 1910-38

INDEX NUMBERS (1910-14=100)



U.S. DEPARTMENT OF AGRICULTURE

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CASH INCOME FROM WHEAT FOLLOWS VARIATIONS IN PRICES MORE CLOSELY THAN VARIATIONS IN QUANTITY SOLD. IN ONLY A FEW YEARS DOES IT APPEAR THAT PRICES FOR WHEAT IN THE UNITED STATES RESPOND OPPOSITELY TO QUANTITIES SOLD. PRICES RECEIVED BY PRODUCERS ARE AFFECTED MORE BY WORLD SUPPLIES AND GENERAL PRICE-LEVEL MOVEMENTS THAN BY THE QUANTITIES OF WHEAT FOR SALE IN THE UNITED STATES.

DOMESTIC DEMAND

There has been very little change during the past month in the outlook for domestic demand for farm products. The events have tended merely to confirm prospects for a minor recession during the first quarter of the year, and for some improvement thereafter. In general, relatively stable demand conditions are expected in 1939 as compared with other recent years.

Industrial activity during January appears to have averaged about the same as in December, whereas usually there is an advance. Consequently, the seasonally adjusted index of industrial production for the month will show some decline. This will represent the first decline in the index since May 1938, but it was to be expected after such a long uninterrupted rise.

An examination of current rates of output, unfilled orders and prospective new orders in several industries indicates the possibility of some further falling off in industrial activity on a seasonally adjusted basis. This should be followed by improvement as building operations get under way this spring, new orders for steel are received from automobile manufacturers who recently have been out of the market, and Government disbursements approach their peak.

Most of the favorable factors in the industrial situation for 1939 compared with 1938 already have been reflected in recent rates of output, however, and there are no additional influences now in sight which point to any marked rise during this year. On the other hand, the industrial inventory situation appears to be generally healthy, retail trade is holding up about as well as could be expected, and there is enough stimulus in sight from Government expenditures, building construction, automobiles and textiles to seemingly preclude any important recession.

Consumers' incomes apparently continued to increase through December, as usual lagging behind changes in industrial activity, but probably will not experience much variation during the next few months.

FOREIGN DEMAND

General foreign demand conditions continue relatively unfavorable. The key British situation has continued its slightly downward movement. Although active Government support has held the pound sterling steady at about \$4.67 during January, the Economist index of business activity in the United Kingdom fell in December to its lowest point since it began to decline in October 1937. British observers expect some further decline in business activity and an increase in unemployment. The factors to which they look for possible later improvement are (a) a further revival in the United States and (b) increased British Government borrowing for armaments expenditures.

Business sentiment in Belgium and the Netherlands was extremely pessimistic at the turn of the year, nevertheless Belgian industrial production has risen well above its 1938 low point. The currencies of both Belgium and the Netherlands showed the effects of pressure during late January.

In France a feeling of optimism has appeared and there are evidences that recovery may be under way at last. The value of the franc has been well maintained since September, hours of work have been lengthened in a number of industries, and the Government has taken several measures calculated to encourage business and investment. Many unfavorable indications remain, however. December car-loading figures were below those for November, and unemployment was greater. Although stock-exchange values rose sharply in December, they had lost half of these gains by the middle of January.

Raw-material producing countries have been curtailing imports in order to make up for lower exports. United States industrial recovery has not been reflected in any appreciable rise of world commodity prices during the past few months. European countries have reduced their purchases of raw materials. There has been little improvement, therefore, in the purchasing power of the raw material producing countries, which are facing a marked unfavorable trend in their international balances of payments.

WHOLESALE PRICES

The general level of wholesale prices in early February was 77 percent of the 1926 average and 112 percent of the 1910-14 average. It has been practically unchanged in the last 3 months, but is down one point from October. Compared with the October level, prices of foods have declined, with lesser declines in prices of hides, fuel, metals, and farm products. No commodity group has made any significant price advance in the last 3 months.

Wholesale prices are now at nearly the same level as in February of 1938, 1936, 1935 and 1931. Price trends during these years, however, differed widely. In 1931 and 1938 prices declined to the end of the year by 10 and 4 points, respectively, whereas in 1936 prices rose 6 points. In 1935 prices remained practically unchanged except for a slight upward movement in the latter part of the year.

Of these four general price trends, that of 1935 seems most in line with the current price outlook. Prices as a whole are not likely to fluctuate widely in the next few months. Prices of raw materials may show greater strength later in the year if industrial activity experiences some further improvement. Some further declines in prices of finished goods may occur.

Comparing prices now with those in February 1935, farm products and foods are lower by about 14 percent and textiles by 6 percent, whereas prices are considerably higher for metals, hides, and house furnishings.

The ratio of wholesale prices of farm products to nonagricultural products for the week ended February 4 was 81 percent of the pre-war level, compared with 82 for the corresponding week a year earlier.

The combined index of wholesale prices in 9 foreign countries that have a considerable influence on the foreign demand for our farm products, has been unchanged since October at 86 percent of the 1924-29 level. The persistent price advances in France and Italy have been offset by equally persistent price declines in other major countries, so that the general level of foreign prices in the last 22 months has fluctuated within a range of only 5 percent.

PRICES RECEIVED AND PAID BY FARMERS

Market prices indicate that the general level of prices received by farmers in mid-February is a little lower than in mid-January. Prices have declined moderately for dairy products, grain, eggs, tobacco, truck crops, and some other commodities, the declines more than offsetting advances in prices of meat animals and some fruits.

The general level of prices received by farmers in mid-January was 94 percent of the pre-war average compared with 96 in December and 102 in January 1938. Most of the drop reflected a sharp break in egg prices and a moderate decline in prices of dairy products. Prices of grains, meat animals, and fruits, however, advanced moderately.

The preliminary estimate of prices paid by farmers for commodities in January, at 120 percent of pre-war, was unchanged from the December average, compared with 126 in January 1938. The ratio of prices received to prices paid by farmers dropped to 78 percent of pre-war, compared with 80 in December and 81 a year earlier.

FARM INCOME

Income from farm marketings made about the usual seasonal decline from December to January. Government payments of \$41,000,000 this January, however, were slightly larger than the \$39,000,000 in December and considerably above the \$17,000,000 received in January 1938. Including Government payments, farm income in January was slightly larger than the estimate for January 1938.

Income from crops in January increased over the December estimate by more than the usual amount. The principal factor in this increase was Commodity Credit loans on corn. Income from other grains and from fruits was also seasonally larger than a year earlier.

Income from livestock and livestock products decreased more than the usual amount from December to January. Sharply lower prices of dairy products, chickens, and eggs more than offset the increase in receipts. Income from hogs declined more than seasonally, with reduced marketings. Income from cattle and calves increased seasonally and was slightly higher than in January 1938.

During the past few months, income from farm marketings has made about the usual seasonal changes and has averaged about 68 percent of the corresponding months in 1924-29. Loans on corn, wheat, and cotton during this period have helped to maintain income and have resulted in more than the usual quantity of these crops moving to market or placed under loan, leaving a smaller proportion to be marketed from now until the new crops become available. Since the quantity of crops remaining to be sold is less than usual for this time of the year, farm income may decline more than seasonally in the next few months. With some further increase in consumer's income possible, however, the decline in income from major crops may be partially offset by increasing income from fruits and vegetables, and improvement in demand for livestock products.

During the first half of 1938, income from farm marketings also averaged 68 percent of the 1924-29 monthly average. It is probable therefore that income from farm marketings in the first half of 1939 may be about the same as in the first 6 months of 1938. A substantial part of the 1939 Government payments are likely to be made in the first half of 1939 and may exceed the \$257,000,000 paid out from January to June 1938.

WHEAT

While wheat prices in domestic markets for the week ended February 11 were lower than a month earlier, they retained some of the gain made at the turn of the year. After declining the first half of January prices in United States markets strengthened, reflecting the lack of selling pressure from the Southern Hemisphere countries and increased purchases by English millers. Shipments from Argentina since January 1 have totaled practically the same as for the same period last season despite a surplus $2 \frac{2}{3}$ times as large. During the first half of February, however, shipments from Argentina increased markedly, and this together with a less tense political situation in Europe and improved prospects for our winter wheat crop resulted in a lowering of prices.

Heavy Southern Hemisphere shipments usually have a depressing effect on wheat prices at this time of the year. The extent of European buying, crop conditions in the winter wheat States, and general business sentiment also will continue to affect wheat prices during the next few months.

Prospects for winter wheat improved as a result of moisture over ~~important~~ areas. The crop remained in fair to good condition in the eastern part of the Belt and has improved in the Southwest, especially from Oklahoma southward. Some improvement was also reported in eastern and north central Kansas but the soil was still very dry in the western portions of that State and in sections of Nebraska. Crops in the Rocky Mountain sections were well protected by snow and conditions in the Pacific Northwest were generally favorable.

Stocks of wheat in the United States on January 1 are estimated at 656 million bushels compared with 533 million bushels a year earlier. For the 6 months, July through December, domestic disappearance approximated 383 million bushels against about 385 million bushels for the same period in 1937. Total domestic disappearance for the year beginning July 1, 1937, was approximately 703 million bushels.

COTTON

Domestic prices of spot cotton continued to fluctuate within a very narrow range during the past month. From January 14 to February 14 the official quotations for Middling 7/8 at the 10 designated markets varied between 8.44 and 8.63 cents. Spot prices of Middling 7/8 in New Orleans fluctuated to about the same extent, but for the most part were about 0.10 to 0.12 cents above the 10 markets average and about 0.10 cents above the quotations for March futures contracts. In New Orleans, prices of spots and near months futures were, for the most part, 1.00 to 1.08 cents above those for October futures delivery.

The Government loan on the 1938 crop of 8.30 cents for Middling 7/8 has been an important factor contributing to the stability of spot prices since early October when the 1938 crop began to move in volume. Through its strengthening effect on spot prices, and because of the uncertainties with respect to developments during the 1939-40 season, the loan has also contributed to the unusually high prices of spot American cotton relative to prices of new crop futures contracts and relative to foreign growths. This, in turn,

has contributed to the unusually low exports during recent months. Another element contributing to the marked decline in exports is that total cotton consumption in foreign countries so far this season has been considerably lower than in the first half of last season.

On February 9 the Commodity Credit Corporation reported Government loans on the 1938 crop at 4,228,000 bales, bringing the total reported Government loan stocks to nearly 11,200,000 bales. Stocks of American cotton in all hands in the United States on February 1 totaled about 17,500,000 bales.

Domestic cotton mill activity and cotton consumption continued unusually high during January and early February. The 592,000 bales of cotton consumed during January was 37 percent more than in January last year and, with the exception of 1937, the largest consumption for the month in 10 years. On the whole, sales of cotton textiles by domestic manufacturers during the past few weeks have been probably about equal to or at most not materially below output. From August through January domestic mills consumed nearly 3,400,000 running bales of cotton. This total was 10 percent larger than in the first half of last season and, with the exception of 1936-37, the largest for the period since 1928-29.

Exports of American cotton in January, as in December, were the smallest for the month since 1872, or in 66 and 67 years. Compared with last year, exports in January showed a 55 percent decline. Exports during the first 6 months of the current season, totaling 2,200,000 running bales compared with 3,800,000 bales a year earlier, were the smallest for the period since 1881-82.

The general cotton textile situation in foreign countries has shown relative little net change during recent weeks. Cotton consumption in foreign countries is apparently somewhat smaller than a year earlier. Consumption during the first 5 months of the season was about 6 percent smaller than a year earlier, and 5 percent smaller than during this period in 1936-37.

TOBACCO

A large part of the 1938 tobacco crop has been sold at generally lower prices than were received for the 1937 crop. Sales of flue-cured and Burley have ended. Type 11 markets closed January 20 and the Burley season ended with the closing of the Lexington market on February 10. Marketings of both of these tobaccos were at an unusually rapid rate. Substantial proportions of the crops of the less important tobaccos - fire-cured, dark air-cured, cigar leaf and Maryland - are still unsold.

Sales of flue-cured leaf up to December 31 averaged 22.5 cents. The average for the entire production, (estimated in December at 788,100,000 pounds) is expected to be between half a cent and a cent below last year's average of 23.0 cents. Exports of flue-cured have been well maintained so far this season compared with last.

The season average price for Burley is expected to be about 19 cents or slightly higher. The higher grades and qualities have been materially lower in price and the lower qualities considerably higher, than last year. The general market average from week to week displayed a high degree of steadiness this season in contrast to 1937-38, 1936-37 and some other years. It is believed that actual marketings of Burley will be less than 360 million

Prices of Virginia fired and sun-cured tobaccos and prices of Green River to date this season have been about the same as or slightly higher than a year earlier. Kentucky and Tennessee fire-cured and One Sucker, however, have declined in price. The quality of the dark tobaccos of Kentucky and Tennessee is extremely poor due mainly to the ravages of wildfire during the exceptionally wet growing season. In addition, the movement to market of fired Types 22 and 23 has been unusually light due to unfavorable weather for handling tobacco during most of the late fall and winter. Market averages from now on may strengthen moderately due to an increase in the activity of buying interests as the volume of marketings increases and the possibility of some improvement in the quality of tobacco offered for sale. Advances made by the cooperative associations in the dark tobacco areas on the various qualities of tobacco and the price at which the common grades are taken by the Federal Surplus Commodities corporation, were reduced on tobacco sold on and after December 26.

Tax-paid withdrawals of tobacco products have shown relatively little change during recent months. Prospective further improvement in consumer incomes during the first half of 1939 should result in a slight increase in the consumption of tobacco products, particularly of cigarettes and cigars.

FLAXSEED

Domestic flaxseed prices have declined since late January, No. 1 flaxseed at Minneapolis averaging \$1.95 a bushel for the week ended February 4. The high point of the season to date was \$2.01 for the week of January 14. This was the highest average since late in April 1938. The rise followed the continued improvement in building activity. But while domestic prices advanced, prices at Buenos Aires declined, and the margin between these prices was 92 cents per bushel for the week ended January 21, or the widest in recent months.

Although the outlook for domestic demand is favorable, the present wide spread between domestic and foreign flaxseed prices has made United States prices largely dependent on foreign prices. Further increases in domestic prices will tend to increase imports of foreign flaxseed. In general the foreign demand situation appears to be somewhat less favorable this year than last, but may experience some improvement later in the season. The Argentine crop now being harvested is estimated to be about 5 percent larger than last year's crop, but much smaller than the average production during the years 1925-34.

January 1 stocks of flaxseed totaled 5,402,000 bushels. This quantity is well below the January-June requirements for crushing in any of the past 3 or 4 years, and it now appears that imports during the corresponding period of 1939 may be larger than the 7,383,000 bushels imported during the first 6 months of 1938. Imports during the last half of 1938 were somewhat below imports in this period of 1937, reflecting a reduction in the rate of domestic crushing. The total domestic disappearance of linseed oil was somewhat larger during the October-December period in 1938 than for this same/in 1937, but was well below the 1926-30 level. Factory and warehouse period

stocks of linseed oil on January 1 totaled about 142 million pounds compared with 191 million pounds on January 1 last year.. The index of the value of building contracts awarded advanced from 66 percent of the 1923-25 level for August to 98 percent of this level for December. In each of the months, October-December 1938, the value of building contracts awarded was the highest for these months of any year since 1929.

CORN AND OTHER FEED GRAINS

Weakness in feed grain prices in late January and early February was apparently largely the result of mild weather throughout most of the Corn Belt, and some improvement in prospects for the Argentine crop. A developing uncertainty as to the effects of the loan program on corn prices later in the season, however, may have been a contributing factor. Not all producers are eligible for the loan, and the price of corn in the Corn Belt has not advanced as near the loan rate as it did in 1933, when other conditions were somewhat similar. The January farm prices of corn in various parts of the Corn Belt were about 12 to 20 cents below the loan rate. Sealing of corn has progressed actively. Up to February 4 about 135 million bushels of 1938 corn were under seal. In addition, 27 million bushels of 1937 corn are under seal. In view of the disparity between cash corn prices and the loan rate, it appears probable that considerably more corn will be sealed. This will tend to support corn prices and, to some extent, other feed grain prices during the next 2 or 3 months. During the late spring and summer, prospects for the 1939 feed grain crops and the method of disposition of sealed corn will be important factors affecting the course of feed grain prices.

With livestock numbers increasing, and with a continuation of favorable feeding ratios probable for the next few months, it appears likely that the disappearance of feed grains during the last half of the present feed grain marketing year will represent a greater than average proportion of total disappearance for the year. In view of the large supplies of corn now on hand, however, it is probable that the carry-over into the 1939-40 marketing year will be near or above the record carry-over on October 1, 1933.

The outlook for exports of corn is somewhat uncertain. Latest reports on the condition of the Argentine crop indicate that production will be much below average, and that it may not be much greater than the very small production last year. In this case exports of domestic corn may continue fairly large, although they probably will not equal the large 1937-38 exports. Receipts of corn have been much smaller since the beginning of the present marketing year than they were a year earlier, indicating a tendency for farmers to hold their grain. After reaching a peak early in January, commercial stocks of corn declined slightly during the month, but are still at a high level compared with commercial stocks during the greater part of the past 5 years.

HOGS

The seasonal reduction in slaughter supplies of hogs now in progress probably will continue through March; but a rather material increase in market supplies is expected after March, as marketings of fall pigs get under way in large volume. During the last half of the current marketing year (April-September 1939) hog slaughter probably will be larger than a year earlier, reflecting chiefly the 18 percent increase in the 1938 fall pig crop over that of 1937. Consumer demand for meats during the spring and summer of this year probably will be stronger than a year earlier.

Prices of hogs rose moderately during the last half of January and in early February, after having been fairly steady during the first half of January. The average price of butcher hogs at Chicago for the week ended February 11 was \$7.70 compared with \$7.25 for the first week in January and \$5.33 a year earlier. The range in prices of the different weights of hogs has been relatively narrow thus far in present marketing year, which began last October. The spread between prices of light and heavy hogs has widened somewhat in the past 2 months, but is still much less than a year earlier, when it was relatively wide.

Inspected hog slaughter in January, totaling 4,043,000 head, was about 300,000 head smaller than in December, and about 150,000 head smaller than in January last year. Average weights of hogs were seasonally heavier than in December and heavier than in January last year.

Slaughter supplies of hogs in the 1938-39 marketing year are expected to be at least 15 percent larger than in 1937-38. A large increase in the 1939 spring pig crop is in prospect, and if feed crop production this year is near average, supplies of hogs in the 1939-40 marketing year, which begins next October, will be materially larger than in the present year and may equal or exceed the 1929-33 average.

BEEF CATTLE

With a moderate increase in the number of cattle on feed January 1 compared with a year earlier, and abundant supplies and low prices of feeds, slaughter supplies of grain-fed cattle are expected to be somewhat larger this year than last. Marketings of such cattle will increase seasonally during the next several months. On the other hand, marketings of the lower grades of cattle are expected to decrease seasonally during the late winter and spring, and, largely because of the withholding of cows for the purpose of increasing herds, probably will be smaller than a year earlier. The reduction in slaughter of the lower grades of cattle is expected to be greater than the increase in slaughter of the upper grades; hence total cattle slaughter this year probably will be smaller than in 1938.

Prices of all grades of slaughter cattle were comparatively steady during January, averaging slightly higher than a month earlier, and considerably higher than a year earlier, when the demand for meats was weakened as a result of the sharp decline in business activity. For the week ended February 4, the average price of good grade steers at Chicago was \$10.25 per 100 pounds, nearly \$3.00 higher than a year earlier. Prices of good grade slaughter cows, averaging \$7.00, were about \$1.00 higher than a year earlier. Inspected cattle slaughter in January totaled 761,000 head, slightly larger than in December, but 8 percent smaller than in January last year.

In contrast to the comparative stability in prices of slaughter cattle, prices of feeder cattle rose sharply in January and early February, continuing the advance begun in early November. For the week ended February 4, the average price of stocker and feeder steers at Kansas City was about \$3.80, 80 cents higher than a month earlier, more than \$2.00 higher than a year earlier, and the highest for the week since 1930. The favorable feed situation, the rather general tendency to restock herds depleted as a result of drought in recent years, and the relatively high prices for finished cattle were the factors chiefly responsible for the sharp rise in prices of stocker and feeder cattle during the past 3 months.

LAMBS

Marketings of fed lambs during the remainder of the current fed lamb season, which ends about April 30, probably will be somewhat smaller than those of a year earlier. Although the number of lambs on feed on January 1, 1939, was about 5 percent smaller than a year earlier, it appears that a larger than usual number of lambs were bought for feeding after January 1 this year. Total slaughter supplies of sheep and lambs from February through April probably will be no larger than a year earlier.

Prices of lambs were steady to higher during January. The average price of good and choice slaughter lambs at Chicago for the week ended February 4 was about \$9.00 compared with about \$8.90 for the week ended January 7 and about \$7.00 in the corresponding week last year. In January last year lamb prices declined sharply. The higher prices of lambs this year than last reflect both smaller slaughter supplies and a stronger consumer demand for meats. Inspected slaughter of sheep and lambs in January totaled 1,456,000 head, about 8 percent larger than in December but about 6 percent smaller than in January last year.

In the first 9 months (May-January) of the present lamb marketing year inspected slaughter of sheep and lambs, amounting to about 13.7 million head, was about 5 percent larger than in the corresponding months of 1937-38 and it was the second largest for the period on record. Slaughter thus far in the marketing year, however, has not been large in relation to the 1938 lamb crop, and if the reduced rate of slaughter of December and January continues, slaughter for the entire 1938-39 marketing year will be small in relation to the lamb crop. Such a situation now seems probable in view of the retention of a larger than usual proportion of ewe lambs for breeding.

The feed situation in the main sheep area of Texas was improved by rains during the past month, but it is probable that a considerable number of Texas lambs were shipped to feed lots in other States in January. Feed conditions in the principal early lambing areas are favorable, although perhaps not so favorable as a year earlier. The size of the early spring lamb crop, however, will be affected to a considerable extent by weather conditions in the next 2 months.

WOOL

The outlook for wool in this country for the 1939 season, which begins about April 1, is more favorable than at the beginning of the 1938 season. Domestic stocks of wool on December 31 were smaller than a year earlier. Since consumption for the first quarter of 1939 will be much larger than in the same months of last year, the carry-over of wool into the new season will be considerably smaller than in 1938.

Domestic mill consumption of apparel wool in November and December was higher than at any time since March 1937. Because of the low rate of consumption in the early months of 1938, however, consumption on a scoured basis for the year was about 13 percent smaller than in 1937 and was below the 1932-36 average. With prospects of an improvement in consumer demand, it is probable that mill consumption for the entire year 1939 will be somewhat larger than in 1938.

The higher rate of mill consumption and the reduction in supplies of wool in the United States will be strengthening factors in domestic wool prices in 1939. But the spread between domestic and foreign wool prices has widened considerably in recent months as a result of the rise in prices of domestic wool and declines in foreign prices in terms of United States dollars. Unless there is some increase in foreign prices, domestic wool prices cannot advance greatly without attracting larger imports of wool.

United States imports of apparel wool for consumption totaled 31 million pounds in 1938 compared with 150 million pounds in 1937 and a yearly average of 52 million pounds for the 1932-36 period.

The volume of wool sold increased in the Boston market in January and quotations on most graded territory wools advanced 2-3 cents a pound, scoured basis, during the month. The United States average price of wool received by farmers on January 15 was 20 cents a pound compared with 20.2 cents on December 15 and 21.6 cents on January 15, 1938. Wool prices at the first series of 1939 London sales which opened January 17 were generally 5 to 10 percent lower than at the close of the previous series December 7. The decline in prices of crossbred wool was greater than the drop in merino prices.

On January 1, apparent supplies for disposal in the five principal exporting countries of the Southern Hemisphere were 8 percent smaller than a year earlier and 3 percent smaller than the January 1 average supplies in the 5 years, 1933-37. Indications are that January 1 stocks in most foreign importing countries, except Japan, were somewhat larger this January 1 than last.

BUTTER

The seasonal peak in butter prices occurred in early December. Prices then declined and by early January were down to the level at which the market had been maintained during the summer and fall by the purchase program of governmental agencies. With the large current production of butter and large stocks, butter prices would probably have declined still further if the Federal Surplus Commodities Corporation had not renewed purchases on the

open market in early January. Since then the price of 92-score butter at New York has been maintained at 26.2 cents. During the past month these open market purchases by the Corporation totaled about 8,000,000 pounds. The seasonal trend in prices during the first half of the year is usually downward.

Production of butter continues unusually heavy. Production in December was 10 percent larger than a year earlier, only slightly less than the peak production for the month in 1931. Production will probably continue relatively heavy during the remainder of the feeding period. Supplies of feed are relatively large, and prices of dairy products are about average in relation to feeds.

Apparent consumption of butter in December was exceptionally large, being 13 percent higher than a year earlier, and decidedly above the preceding peak for the month in 1933. The increase in consumption was due in part to the distribution of butter for relief. Trade output through regular trade channels was only 7 percent larger than a year earlier. Retail prices of butter are decidedly lower than a year ago. Estimated consumer expenditures for butter in December were 17 percent less than in December 1937. While the estimated monthly consumer expenditures for butter are still decidedly lower than a year ago, they have increased about 10 percent since late summer. Further increases are to be expected.

Total stocks of butter are unusually large. A large part of these stocks are held by the Dairy Products Marketing Association. Stocks in the hands of the trade are relatively small.

POULTRY AND EGGS

Egg prices have been steady following the sharp decline during the first part of January. Weekly receipts of eggs at New York have been increasing more slowly than in 1938. The sharp decline in receipts during the week ended February 4 was largely a result of the recent cold weather and its temporary effect on egg production. Stocks of frozen and shell eggs at 26 major storing centers on January 28 were only about half as large as on the same date last year. The Chicago feed-egg ratio continued high but was more favorable during early February than during most of January.

The drop which has already occurred in egg prices may tend to lessen the seasonal decline in prices during the next few months.

Live poultry were lower priced in late January but boxed poultry prices have been holding relatively steady. Receipts of dressed poultry at New York are declining seasonally but remain higher than at the same time last year. Storage stocks of frozen poultry at 26 markets on January 28 were 13 percent above last year. Because of the larger supply of live and fresh-killed poultry available this year as compared with 1938, the net out-of-storage movement during January and early February was less than last year. Probably only a part of the depressing effects of these larger supplies on prices will be offset by the higher level of consumer incomes and demand.

Owing to inclement weather during the latter part of January, egg production per hen on February 1 failed to show the usual seasonal increase but was higher than any February 1 production on record except 1933. The average number of eggs per 100 layers for the United States on February 1 was 31.9, an increase of 7.3 eggs over the January 1 figure as compared with an increase of 9.5 eggs between January 1 and February 1, 1938.

Low January egg prices were responsible for heavy marketings of both laying stock and young chickens. As a result, the average size of laying flocks, 82 layers on February 1 for the United States, declined 1 percent during January compared with a gain of 1 percent during January last year. The late hatchings of chickens in 1938 would ordinarily have caused a slight increase in size of flocks. The average size of flocks was 5 percent greater than a year ago but 6 percent below the 1925-34 February 1 average.

FRUITS

Market prices of important fruits during the first week of February were generally lower than a month earlier. Early February prices of western apples, California oranges and lemons were down fairly sharply from a month ago while prices of eastern and midwestern apples showed little change and prices of Florida and Texas grapefruit rose slightly. Strawberry prices declined seasonally.

Further improvement occurred in the California citrus crops and the February 1 report indicated that almost 800,000 boxes were added to the winter orange supply and about 400,000 boxes were added to the summer crop. The total grapefruit crop was increased by nearly 200,000 boxes, as was the production of California lemons. Cold storage holdings of apples totaled 20,585,000 bushels on February 1; the movement out of storage in January was larger than usual.

Strawberry acreage in the early States is approximately the same as last season, although the second early, intermediate and late groups of States all show substantial increases.

POTATOES

Market prices of old stock potatoes tended to weaken slightly during January and by early February were slightly lower than a month earlier. Prices of new stock rose about 50 cents per 100 pounds during the same period. Eastern late potato prices averaging \$1.66 per 100 pounds at New York City, were only slightly under the season's high to date. Prices of midwestern stock averaging \$1.32 at Chicago were about 12 cents per 100-pound sack below the early January average. Prices of Idaho Russet Burbanks and Colorado Red McClures at Chicago were only slightly lower than a month earlier.

The carlot movement of old stock potatoes totaled 19,500 cars during the first 5 weeks of 1939 as compared with 24,200 cars during the corresponding period last year. Based upon an analysis of the regional distribution of supplies in relation to carlot shipments after January 1 and the upward trend in the motor truck movement, it is indicated that shipments in carload lots after January 1 this season probably will total slightly less than 70,000 cars.

Reports from the early and second early States indicate a 5 percent reduction in the commercial potato acreage planted or to be planted this year compared with last.

TRUCK CROPS

Market prices of truck crops were somewhat lower in early February than a month earlier, because of increased carlot shipments moving to market in the past several weeks. Shipments for the 4 weeks ending February 4 totaled 20,594 cars, an increase of 2,531 over the total for the previous 4 weeks.

Lima beans, western green peas, green peppers and spinach were sharply lower than a month earlier, while only snap beans and cucumbers showed a significant rise in price.

Consumption has apparently kept pace with increased shipments, as combined track holdings of 14 vegetables in the 16 major markets showed only a negligible increase from January 10 to February 7.

Indications are that the supply of late winter and early spring truck crops may be somewhat smaller than a year ago. There has been a moisture deficiency in both South Florida and in certain districts of Central and Northern California. Heavy damage from frost was reported in the Everglades, and some frost damage to leafy crops occurred in Virginia.

Sharp reductions in acreage and production in certain crops were reported for February 1. Indicated plantings of cabbage in the second early States are 12 percent below a year ago, and the covered acreage of cantaloups and related melons in the Imperial Valley is down 15 percent. The green pea crop in the early States, while substantially above the 10-year average, is indicated to be 11 percent below the 1938 crop. Winter peppers in Florida show a 26 percent reduction in supply from last season. The indicated spring crop of tomatoes in South Florida is barely two-thirds as large as in 1938.

Business statistics relating to the demand for farm products, specified periods - Continued

NOTES:

- 1/ Department of Commerce monthly and annual index numbers of "national income paid out", 1929 = 100. (monthly adjusted for seasonal variation). Comprised the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties, direct relief disbursements, adjusted service payments to veterans (soldiers' bonus) and benefit payments under the Social Security program. Monthly index described in Survey of Current Business, October 1938. Revised October 1938.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Veteran bonus payments are included in 1931 and 1936 but are insignificant in other years. Nonagricultural income, without bonus payments, is 86 for 1931 and 88 for 1936. Revised November 1938.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment. Revised September 1938.
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees. Revised October 1938.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909-July 1914 = 100.
- 10/ Bureau of Agricultural Economics 1910-14 = 100.
- 11/ Preliminary.